



State of California  
**Employment Training Panel**

Training Proposal for:

**KS Industries LP**

**Agreement Number: ET09-0276**

Panel Meeting of: **October 17, 2008**

ETP Regional Office: **North Hollywood**

Analyst: N. Weingart

**PROJECT PROFILE**

Contract  
Type:      Priority/Retrainee

Industry  
Sector(s):      Construction

Counties  
Served:      Kern

Repeat  
Contractor:      ☐ Yes    ☒ No

Union(s):      ☐ Yes    ☒ No

Priority  
Industry:      ☒ Yes    ☐ No

No. Employees in CA:    950

No. Employees Worldwide:    1,150

Turnover Rate %	Manager/ Supervisor %
25%	0%

**FUNDING DETAIL**

Program Costs	Substantial Contribution	Total ETP Funding
\$504,000	\$0	\$504,000

In-Kind Contribution
\$588,000

**TRAINING PLAN TABLE**

Job No.	Job Description	Type of Training	Average No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Priority/Retrainee	Commercial Skills Continuous Improvement	350	24-115	0	\$1,440	\$14.00
				Weighted Avg: 80			

**Minimum Wage by County:** The ETP minimum wage for Kern County retraining is \$12.85 per hour.

**Health Benefits:** ☒ Yes ☐ No This is employer share of cost for healthcare premiums – medical, dental, vision.

**Used to meet the Post-Retention Wage?:** ☐ Yes ☒ No

Although employer provides health benefits they are not being used to meet post-retention wage.

**Other Benefits:** Vacation, Life Insurance, Matching 401(k) Plan, Flexible Medical Spending Account, Employee Assistance Program, Dependent Daycare Flex Account, and AFLAC.

Wage Range by Occupation	
Occupation Title	Wage Range
Crew Lead	
Working Foreman	

**INTRODUCTION**

In this proposal, KS Industries LP (KSI) seeks funding for retraining as outlined below:

KSI is a privately-held company headquartered in Bakersfield. It provides engineering, fabrication, integrated maintenance, and construction services to a number of industries including upstream oil and gas production, natural gas treating and transportation, refining, cogeneration, heavy industrial and all types of pipelines. KSI is eligible to contract with the Panel under Title 22, California Code of Regulations (CCR), Section 4416(i)(2) as a company engaged in oil and gas pipeline and related structured construction.

KSI is comprised of six separate entities that can act independently or jointly: KS Industries LP Safety & Operations in Bakersfield, the subject of ETP training, handles maintenance, construction, and construction project management. DCCK Engineering, Inc. (engineers, designers, control panel assemblers, inspectors, and I&E technicians); and KS Fabrication & Machine, Inc. (design and fabrication of ASME pressure vessels, pipe spools and assemblies, structural steel components, packaged process skids, and industrial coating) are also located in Bakersfield. Three affiliated entities are located out-of-state: KS Industries of Wyoming; KS Industries of Texas; and KS Industries, LLC-Colorado.

According to the company spokesperson, since beginning in 1960, KSI has experienced steady growth (17% to 20% per year), and has been integrated to provide a single source solution for customers' project needs. KSI's mission is to achieve excellence in world class operations and deliver the highest value quality services to its customers; its vision is to be the best, relationship-based, single source, service provider in the energy sector. However, high growth

rate notwithstanding, KSI has problems finding local area employees with any industry skills and experience. The company must, therefore, concentrate on providing enough internal training to develop and maintain its workforce.

KSI reports that up to now, it has been able to provide basic skills training to its workers via on-the-job training with a Project Manager or General Foreman over an extended period of time. But today, this is no longer a viable training method; KSI must now provide workers with more extensive, in-depth skill sets in a shorter timeframe to: (1) keep pace with company growth and secure new business; (2) meet today's industry standards; and (3) offer more promotional opportunities to offset job hopping, reduce turnover, and provide long-term job security.

KSI's original request for \$684,000 to retrain 475 employees was decreased since the company is a first-time ETP contractor. If the company shows satisfactory performance, ETP will consider amending the contract to increase funding before the end of the Agreement.

## **PROJECT DETAILS**

To reach its goals, KSI will initiate a totally new, structured, classroom training curriculum for crew leads and working foremen, both frontline field positions, to provide them with consistent, up-to-date industry craft training and continuous improvement skills.

**Commercial Skills** (construction) training will include rigging, load handling, tool use, safety, blueprint reading, and industry mathematics. The program is designed by the National Center for Construction Education and Research (NCCER), a not-for-profit education foundation created to help address the critical workforce shortage facing the construction industry and to develop industry-driven standardized craft training programs with portable credentials. NCCER's goal is to build a safe, productive, and sustainable workforce of craft professionals; it provides such things as a standardized industry curriculum, instructor certification, a national registry, and trainee certification. As the accrediting body for the industry, NCCER establishes the benchmark for quality training and assessments. This process fosters unity among the construction industry nationwide, while providing a defined career path with industry-recognized credentials. NCCER maintains a portable and nationally-recognized credentialing and certification system through its National Registry. These valuable industry credentials benefit students as they seek employment and build their careers.

**Continuous Improvement** training will consist of an Introduction to the Toyota Production System, Problem Solving Skills, Effective Communication, and Critical Thinking. These courses will improve teamwork and employee interaction, helping KSI achieve an efficient, effective high performance workplace environment to improve output in all areas.

## **Commitment to Training**

The KSI representative outlined an extensive, ongoing training program that the company currently provides including: KSI Boot Camp (an orientation for new workers); B-BEST (Behavioral-Based Safety); Safety and Risk Management Safety Professional Training; Lean Construction Training (to eliminate waste and increase productivity); and all of the basic computer disciplines (Excel, Word, Outlook, Microsoft Project, and Access) delivered in the company's onsite Comprehensive Computer Learning Center. The company has ongoing Kaizan training and works together with customers to cut costs and improve quality. KSI invests a significant amount of resources to help employees be safe and highly trained.

However, KSI does not currently have a formal training budget. ETP funding will help provide training above and beyond the company's current offerings. ETP funding will allow KSI to

aggressively train its field employees to be competitive in the marketplace. With the rising cost of doing business, KSI has fewer opportunities to invest money back into its workforce, and ETP funding will give KSI a major boost forward in the implementation of NCCER field training.

KSI represents that ETP funds will not displace its existing financial commitment to training. The company anticipates that the opportunity for enhanced training made possible by ETP funds will encourage an ongoing financial commitment in this area. KSI represents that safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

The contractor stated that NCCER field training will continue after the ETP training program ends. The company is committed to growing a strong vibrant workforce and will continue to invest in its workers using current, ongoing, and newly-funded training programs.

### **Clean Technology**

KSI is involved with all of the producers (Chevron, Shell, Aera Energy, Berry Petroleum) in clean technology. The company works on many projects involving water treatment and reclamation. KSI does most of the maintenance at Chevron's station 36 water plant in Kern County, which provides 60,000 barrels of reclaimed production water per day to be used in the local agriculture industry.

### **Frontline Worker**

All trainees in the program meet the Panel's definition of frontline worker (Title 22, CCR, Section 4400(ee)).

### **High Unemployment Area**

All trainees work in a High Unemployment Area (HUA). This is a region with unemployment exceeding the state average by at least 25%, using the unemployment rate set by the Labor Market Information Division of the Employment Development Department. (Title 22, CCR, Section 4429(b).) However, there is no request for a HUA wage modification.

### **Safety Training**

Title 22, CCR, Section 4420.5 states in part that the Panel shall not fund general industry safety training, but may fund a limited amount of safety training directly related to and in conjunction with skills training on a new piece of equipment and/or new process, but that training shall not exceed 10 percent of the total job-related vocational skills training hours in the curriculum unless approved by ETP. However, Section (c)(2) of the Regulation states that some occupations, by the very nature of the work, require intensive skills training in safety procedures, such as workers engaged in environmental clean-up and oil/gas extraction. Funding for these and similar occupations would not be subject to the normal restrictions.

Because of the type of work KSI performs, staff believes that training falls under Section (c)(2) of the Regulation and, therefore, recommends a waiver to the 10% cap on safety training in this Agreement.

### **Turnover Rate**

According to the company representative, KSI had a 25% turnover rate in 2007; and although the contractor feels that this percentage is in line with or lower than the industry standard, there

is reportedly no reliable industry data in support of this opinion. Most of KSI's turnover is among newer employees, or roustabouts, who leave during the 90-day probationary period because of the extremely physical nature of the job, very hot weather conditions during most of the summer months; and to change jobs for higher wages (since there are significantly more jobs than applicants in the local labor market, and larger companies are able to offer more career opportunities and benefits). Even experienced workers sometimes depart because of the strenuous nature of the work and a perceived lack of sufficient training. In contrast to the overall rate, turnover among the potential ETP training population is estimated at approximately 10%, since this group consists of longer-term, more experienced employees.

Title 22, CCR, Section 4417. Secure Job states:

“(a) The Panel shall fund training for employment that is stable. The employer's turnover rate shall not exceed 20% annually for the company facility where training is being requested. The Panel may accept a higher turnover rate if the employer provides evidence that the proposed training will significantly decrease the turnover rate, or the employer has experienced a singular reduction in force or other occurrence which adversely affected the turnover rate in the last calendar year, or if industry data supports a higher turnover rate.

If the contractor fails to maintain the turnover rate provided for in the Panel agreement, the contractor will not earn the final 25% payment which would otherwise be due under the agreement if all other terms are met.”

Since there is no evidence to show that training will significantly decrease turnover, no singular reduction in force adversely affecting turnover, or other industry data to support a higher turnover rate, the contractor has agreed to reduce turnover to 20% or less during the final 12 months of the ETP Agreement or forfeit the final 25% payment.

### **RECOMMENDATION**

For the reasons set forth above, staff recommends approval of this proposal despite KSI's 25% turnover rate, and a waiver to the 10% cap on safety training hours, so that this Panel priority employer located in a high unemployment area can provide training to stabilize its workforce, offer long-term job security, and continue to grow.

### **DEVELOPMENT SERVICES**

N/A

### **ADMINISTRATIVE SERVICES**

N/A

### **TRAINING VENDORS**








To Be Determined

**Exhibit B: Menu Curriculum****Class/Lab Hours**





24 - 115

Trainees may receive any of the following:

**COMMERCIAL SKILLS**

-  Blue Print Reading
-  Construction Mathematics
-  Rigging
-  Load Handling
-  Power Tools
-  Hand Tools
-  Job Site Safety (approx. 15 hours but not subject to standard 10% restriction)

**CONTINUOUS IMPROVEMENT**

-  Introduction to the Toyota Production System
-  Problem Solving Skills
-  Effective Communications
-  Critical Thinking